

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – MARCH 28, 2002

REVISED

PRESENT: Chairman John Byrne and Commissioner Anthony Maiola and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Howard Roundy, Director of Information Technology; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Accountant; Al Picconi, United Beverages, Inc.; Michael Goclowski, Law Warehouses

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending March 24, 2002 indicates retail sales were up 7.3%, on-premise sales were down –2.1%, off-premise sales were up 16.8%, and total aggregate sales were up 8.1%. The traffic count increased by 4,204, as did the average sales ticket by \$.40.

The W-1 Total Weekly Sales Report for the same week confirms total sales were up 8.1% or \$381,009 for the week, and were also up for the year by 7% or \$15,995,300. (As a point of reference, Craig commented that last year this number was 4.98%.) Wine sales were up for the week by 14.5% or \$316,546, as they were for the year by 9.6% or \$9,879,897. Last year at this time, wine sales were only up 4.35%; they have doubled this year. Sales of spirits were up 1.8% or \$45,778, as they were year-to-date by 5.65% or \$7,212,494. This is down slightly from last year when the percentage was at 5.9%.

B. Budget Reports:

There were no particular problems to note regarding outstanding depletions and post-offs during the past week.

The contract will proceed with Novis Engineering, and Craig hopes to come back to the Commission with a quote as soon as possible.

Craig was pleased to report that an agreement has finally been reached regarding the new Law contract, with additional verbage added under the web ordering section. The Attorney General's Office has promised to sign the contract, and it will then go on the Governor and Council agenda for the first meeting in April.

A waiver has been approved which will allow reimbursement for airline tickets already purchased for three persons. Letters will be received from the

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Governor's Office allowing money to be reimbursed for the airline tickets. Chairman Byrne suggested the three tickets be retained for future use in the event any of these individuals take a trip which is sponsored by the State.

Craig said there was a productive meeting held last week with Liberty Mutual regarding workmen's compensation, who gave a detailed explanation of information available through them. They indicated a report can be customized which would be accessible through e-mail.

Chairman Byrne mentioned that he did not feel that the lighting in the conference room was adequate. Craig will look into the possibility of bringing in another ceiling light.

Referring to the current W-6 Expense Budget Activity Variance Report, George reported that the year is now at 73.7% completed, with total agency expenditures at about 71.1%. George said he expects both stores and in-state travel to be in the red by the end of the fiscal year, but it may be premature to do any transfers at this point.

The revenue estimate for this month will fall short by about \$200,000. There was some brief discussion regarding when certain monetary activities (i.e., credit card transactions) are credited to accounts.

Among other activities at this time, George mentioned that the credit card RFP is moving along, and the Attorney General's Office is reviewing the Masterpiece contract. Representatives from the LBA were here yesterday for a meeting regarding the stores' fiscal inventory, and no problems are anticipated.

2. IT Reports

Howard reported that ACR will be here for a meeting a week from Tuesday to discuss what will be happening next year regarding software.

The RFP for the servers in the stores has gone over to DITM and should be released on Monday.

George and Howard had a conversation with New England Interactive, the State's web developer choice, on ACH and issues surrounding it. They met with the Departments of Revenue and Treasury, and it looks as if there will be several usages for ACH (i.e., payments on accounts, beer taxes, etc.). Work will be done with them to define some financial projects which IT and accounting have wanted to do for quite some time.

Most of the new servers and the tape storage unit have been received. In Howard's absence Rick Farrenkopf will produce a schedule for installation for next week's meeting. Howard handed out information on New Server Environment to help everyone get a sense of what will be transpiring. This will be mailed to everyone at headquarters today.

The main production box has gone down three times within the last week. The engineer called in to fix the problem said there was a lot of dust blocking the air vents in the system. Howard said he hopes this was just an overheating problem.

II. MARKETING & SALES REPORTS

1. Store Operations

John Bunnell reported that a meeting was held with the brokers last Thursday, at which Mark Bodi from the advertising agency presented the summer promotion. There appeared to be quite a lot of interest, and several calls have been received by brokers wishing to participate.

Total stores performed well last week, with an increase over the same week last year of over \$264,000 or 7.3%. Store #23 Conway gained a little over \$5,000.

The plan to move Store #27 Nashua to its new location during the second week in May may have to be delayed because the site is not yet ready. Store #42 Meredith is on the back burner, and Tom Smith will be meeting with the engineer. Commissioner Maiola reported problems running into huge rock when digging in the gravel pit to be used at the proposed Warner store location. This means having to locate another pit for fill. A meeting was held with the Department of Transportation regarding paving the parking lot at Store #38 Portsmouth, and this is supposed to go out to bid at the end of the week. A meeting will be held with the architect chosen for internal projects at Stores #34 Salem and #38 Portsmouth.

The inventory reduction program will be pushed to eliminate stagnant products.

2. Warehouse Report

- a. Tabled Item (Asbestos Abatement – tabled from 3/7/02): Item remained on the table.

Concord warehouse inventory is in good shape going into the end of the month.

3. Purchasing Report

Appleton Jamaican Gold Rum did come in, but is now out of stock once more. Three Olives is back in stock in all of the stores.

In-store wine tastings have not been very successful. Martignetti Companies has requested not to conduct them anymore.

4. Merchandising Report

A. SPIRITS:

1) St. Patrick's Day Sale:

The St. Patrick's Day Sale, which took place from Thursday, March 7 through Sunday, March 17, 2002, showed poor performance, with Bacardi products in particular. This will be studied to see what can be done to capitalize upon this sale for next year.

2) Memorial Day Sale:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve thirty-seven (37) spirit items and twelve (12) wine items to be featured during the upcoming Memorial Day Sale, scheduled for the period Thursday, May 16 through Monday, May 27, 2002, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Test Market Request (Imoya VSOP Brandy):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./American Wine Distributors, Inc. for a new test market product listing for Imoya VSOP Brandy, 750ML size (assigned Code #5844), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Spirit Products Recommended for Delist:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve the following actions to be taken in response to brokers appealing delist notices for six (6) spirit items which failed to reach their respective gross profits, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Assign 3-digit codes to Code #4848, Mohawk Coffee &

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Brandy, 1.75L size and Code #3230, Maroff Light Vodka, 1.75L size, to be made available in the warehouse only; allow Code #4416, Cruzan Coconut Rum, 750ML size to remain listed; grant a specialty listing for Code #4784, Presidente Brandy, 750ML size; allow Code #5418, Coquila, 750ML size and Code #5942, Ice Box Strawberry Colada, 750ML size to be made available to on-premise licensees only. The motion was unanimously adopted.

B. WINES:

Nicole mentioned that sales of Robert Mondavi wines, which are featured in the Dream Kitchen Giveaway, have increased by a quarter of a million dollars. In addition, the recent French Wine Sale produced \$317,000 in retail sales.

1) New Wine Product Listings (5 codes – United Beverages, Inc.):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve requests from United Beverages, Inc. for general distribution of the following five (5) wine codes, each of which has earned a gross profit of at least \$6,500 during a twelve-month period, a majority of which have been in the retail and on-premise markets, to be initially distributed to Cluster 1 and 2 stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Code #21393, Pinot Noir Villa Mt. Eden California, 750ML; Code #27333, RH Philips Cabernet Sauvignon, 750ML; Code #27901, Chardonnay Inglenook California, 1.5L; Code #31866, Merlot Coppola Diamond Series, 750ML; and Code #32675, Cabernet Sauvignon Blackstone California, 750ML. The motion was unanimously adopted.

2) Special Offers for May 2002:

a. 22 items – Pine State Trading Co.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Co., based upon depletions of twenty-two (22) wine items, to be featured on sale during May 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 4 items – Horizon Beverage Company (May/June):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a special introductory offer from Horizon Beverage Company, based upon depletions of four (4) wine

items, to be featured on sale during May and June 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- c. 83 items – Martignetti Companies of N.H.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions of eighty-three (83) wine items, to be featured on sale during May 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- d. 30 items – Horizon Beverage Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of thirty (30) wine items, to be featured on sale during May 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- e. 74 items – United Beverages, Inc.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of seventy-four (74) wine items, to be featured on sale during May 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 3) Recommended Wine Specialty Products:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve eight (8) wine items to be listed as wine specialty products and carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 4) Recommended Allocated and Restricted Wines for Distribution to Selected Stores:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve seventy-six (76) allocated and restricted wines for distribution to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Primary Source Submissions (22 exclusive agent; 21 imported):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the listing of twenty-two (22) wine items which are not from primary source, but are offered by the exclusive marketing agent and twenty-one (21) wine items which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS

None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Request:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve all requests for bailment releases/transfers dated March 22 through March 28, 2002. The motion was unanimously adopted.

2. Coupon Approvals:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve all coupon submittals for the month of April 2002, as reviewed and approved by Richard Gerrish, Spirits Marketing Specialist and Nicole Horton, Wine Marketing Specialist. The motion was unanimously adopted.

3. Late Items:

a. Early Close on Sunday, April 28, 2002:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the closing of the following stores at 8:00 p.m. on Sunday, April 28, 2002 in order to provide time to count and recount at these stores, as recommended by Peter Engel, Director of Store Operations and concurred by John Bunnell,

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Administrator of Marketing & Sales: #38 Portsmouth, #67 Hooksett, #73 Hampton and #76 Hampton. The motion was unanimously adopted.

b. Store Operations Manual Revision – Code 2222 Wood Grain Alcohol:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a policy change to the Store Operations Manual regarding Code #2222, Clear Springs Grain Alcohol, as recommended by Peter Engel, Director of Store Operations and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

John W. Byrne, Chairman

Anthony C. Maiola, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford

